



Iowa Department of **REVENUE**

PERFORMANCE REPORT

for

Fiscal Year 2016

Courtney M. Kay-Decker

Director

AGENCY OVERVIEW

Mission

The mission of the Iowa Department of Revenue (IDR), is to serve Iowans and support state government by collecting all taxes required by law, but no more.

Taxes Established by Iowa Code

Taxes and Fees Collected and/or Administered

Individual Income Tax /Withholding	Consumer's Use Tax	Fuel Taxes
Corporation Income Tax	Retailer's Use Tax	Environmental Protection Charge
Franchise Tax	Hotel / Motel Tax	Inheritance Tax
Sales Tax	Local Option Sales Tax	Cigarette / Tobacco Tax
Replacement Tax	E911 Surcharge Fee	Hazardous Materials Permit Fee
Property Tax	Insurance Premium Tax	Real Estate Transfer Tax
One-time Fee for New Vehicle Registration	Car Rental Tax & Vehicle Title Surcharge	Miscellaneous Other Taxes

Vision and Guiding Principles

IDR established the following *vision* and *guiding principles* in its 2016-2019 Strategic Plan:

Vision

Iowa will be a state where it is easy to understand and comply with tax obligations.

Guiding Principles

Governor Branstad has outlined four goals for his administration, as follows:

- Create 200,000+New Jobs,
- Reduce the Cost of Government by 15%,
- Provide the Best Schools in the Nation, and
- Increase Family Incomes by 25%.

The Department of Revenue does its part to support and further those goals.

In addition, we have adopted the following Departmental Guiding Principles:

Customer Focus

- We understand that Iowa taxpayers are our primary customers.
- We collaborate and partner with both our internal and external customers.
- We use technology to support our customers efficiently.
- We maintain the public's confidence by safeguarding our customers' confidential information.

Expertise & Education

- We provide information and recommendations to policymakers, local, and state government entities.
- We support local governments through oversight of the property tax system and administration of associated credit funding, distribution of local option taxes, and sales tax increment programs.
- We provide information and education necessary to facilitate compliance with Iowa's complex tax laws.

Fiscal Management

- We are responsible stewards of Iowa taxpayers' money.
- We responsibly manage our financial resources to fulfill our mission.

Core Functions

IDR has four core functions including:

REVENUE COMPLIANCE AND COLLECTION

The most visible aspect of our Department's operations is the administration of tax compliance and collection. This function includes educating taxpayers on tax laws and regulations, processing tax returns and related documents, and collecting taxes and other amounts due. It is in compliance with Iowa's tax laws that the Department conducts its taxpayer examination and audit programs and resolves disputed tax issues.

LOCAL GOVERNMENT ASSISTANCE

The Department provides support to local governments by administering just and uniform property assessments across the state. This function also administers programs for property tax relief including administration of the business property tax credit, local option taxes, school infrastructure taxes, and sales tax increment programs.

RESEARCH, ANALYSIS, AND INFORMATION MANAGEMENT

The Department performs tax policy development and analysis, fiscal impact estimation, and economic and statistical research and analysis to help stakeholders understand the impact of Iowa tax laws, and make informed decisions.

RESOURCE MANAGEMENT

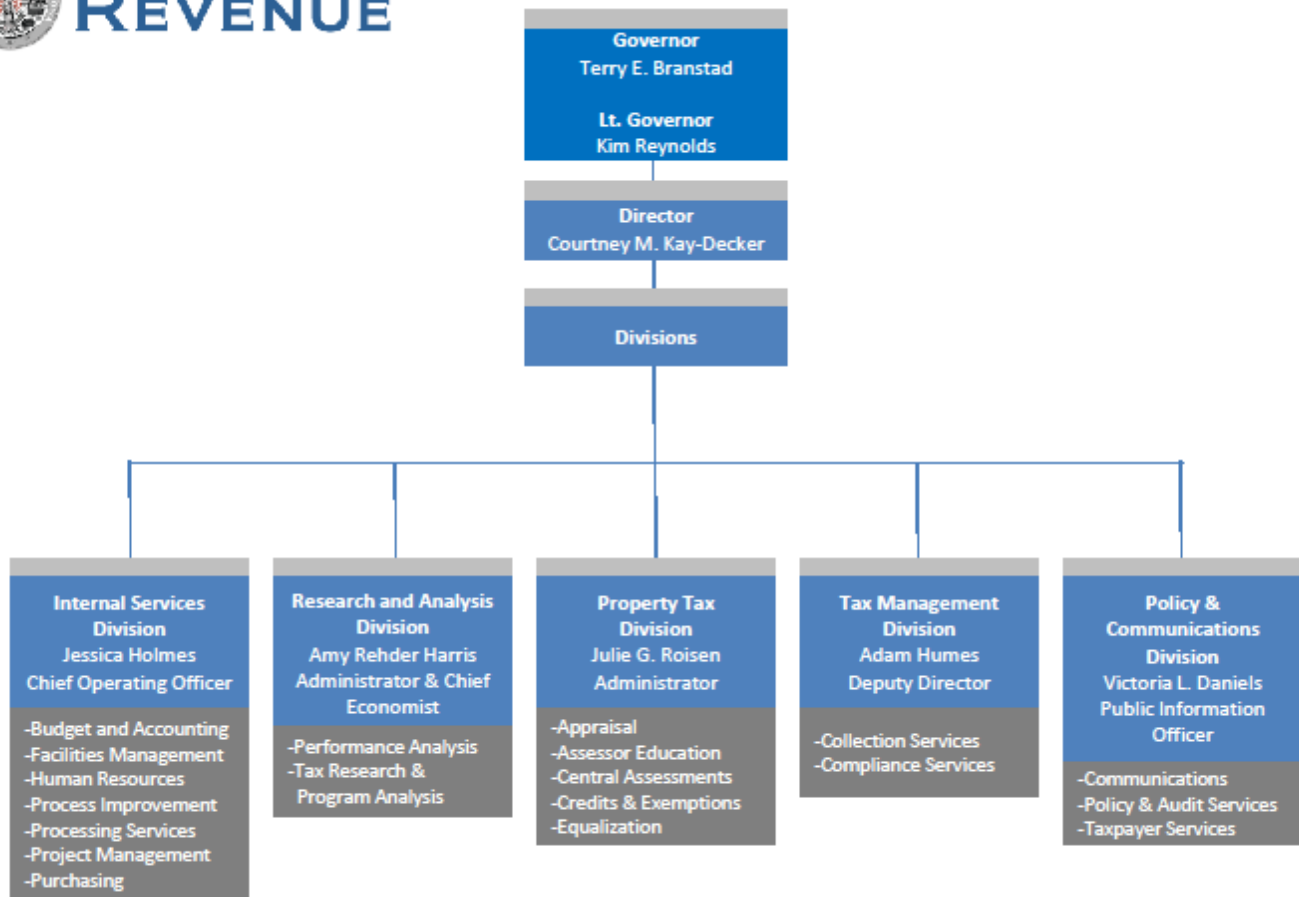
The resource management function provides internal infrastructure support of the Department's operations, including oversight of technology development and support, project management, personnel management, and budgeting.

Department Operational Divisions

IDR has five operational divisions. The following chart is an overview of our primary organizational entities and the services they provide.



Iowa Department of **REVENUE**



<https://tax.iowa.gov>

The Department includes one board for budgetary purposes:
The Property Assessment Appeal Board

Customers

IDR's customer base is, by its very nature, one of the largest of Iowa State government agencies. In addition to all persons with Iowa tax responsibilities throughout the state and nation, IDR deals with all levels of State, local, and federal governments, tax practitioners, business groups, State employees, the Legislature, and other states' revenue agencies.

IDR deposits over 95% of the State's appropriable receipts. Other State agencies depend on timely deposits to provide the funds they use to operate. Externally, taxpayers expect timely processing of returns and refunds. Taxpayers also expect an audit billing to be accurate and understandable.

Each customer expects information and outputs to be disseminated timely, accurately, and clearly. This expectation holds true for both analysis and reports in response to external inquiries and internal questions.

Staff

The Director of IDR is Courtney M. Kay-Decker. Director Kay-Decker was appointed by Governor Terry Branstad in January 2011. As of June 30, 2016, IDR had 291 full-time employees. There were 5 employees in the Sioux City field office and 10 employees worked in the Cedar Rapids field office. There were 35 teleworkers and the remaining 241 employees were domiciled in Des Moines. All IDR's contract-covered job classifications fall under the AFSCME bargaining agreement.

Goals, Measures and Results

IDR's Strategic Plan identified three goals and a number of strategies to achieve those goals. This Performance Report summarizes the tactical steps taken towards achieving those goals. In the pages that follow, five noteworthy achievements are highlighted. The rest of the report summarizes the results of each measure identified in our Fiscal Year 2016 Performance Plan.

KEY RESULT

Core Function: Revenue Collections and Compliance

Goal: Provide accurate, clear, and concise information to taxpayers.

Description: IDR processes over 1.5 million individual income tax returns each year. Not all taxpayers who file an individual income tax return voluntarily pay their tax liability and some taxpayers make errors in completing their returns. It is IDR's responsibility to accurately process the returns of taxpayers who filed correctly and to bill those who have not paid or who calculated their tax liability incorrectly.

Why we are doing this: IDR strives to collect all dollars owed to the State and to provide the right information to taxpayers in the most efficient and effective manner.

What we are doing to achieve results: IDR created a taxpayer education focus by using social networking, providing webinars, and holding classes for taxpayer education. IDR contacts taxpayers, tax preparers, and industry groups prior to initiating audit programs.

Results

Performance Measure:

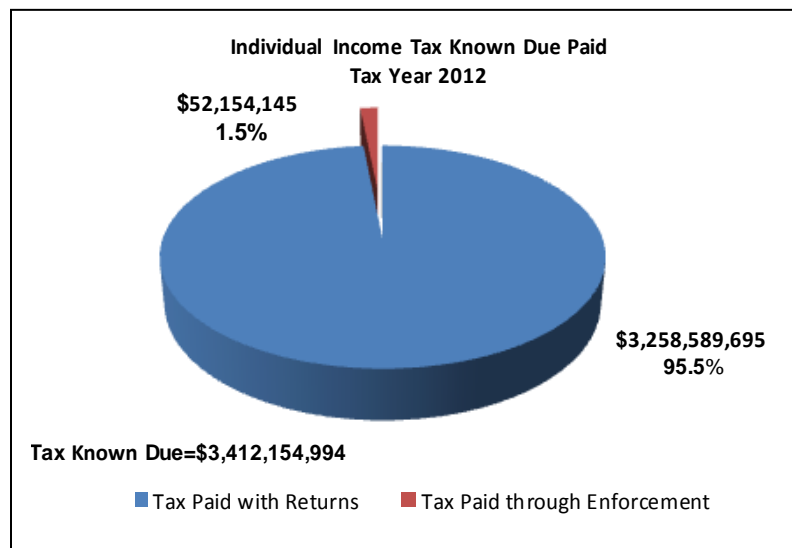
Percent of tax known due paid for individual income tax within the three-year statute of limitations

Performance Target:

At least 95% of tax known due will be paid

What Was Achieved:

Within the three-year statute of limitations for tax year 2012, 97.0% of tax known due was paid with returns and through enforcement; tax known due that was not paid within the three-year statute of limitations (not reflected in the pie chart) equaled 3.0%.



Sources:

Collections reports and Business Objects queries of tax return data.

KEY RESULT

Core Function: Revenue Collections and Compliance

Goal: Provide excellent customer service.

Description: Percent of electronic and paper payments received by IDR deposited on the same day as received.

Why are we doing this: Prudent money management principles require that revenues be deposited as quickly as possible in order to maximize investment proceeds and cash flow and to provide for accurate accounting. The timely deposit of revenues ensures that funds are available for the continued provision of State government services for the citizens of Iowa.

What we are doing to achieve results: The Processing Services area of the Internal Services Division deploys strategies to improve deposit of income tax, withholding, and sales tax during high-volume quarterly periods. IDR also provides easy access to electronic deposit of business taxes. In Fiscal Year 2016, 83% of receipts were deposited the same day as received. Most of the remaining 17%, generally paper checks that must be manually separated from a return, were deposited the day after receipt, and 97.4% were deposited within 14 days.

Results

Performance Measure:

Percent of payments deposited on the same day as received

Performance Target:

85% of payments received by IDR will be deposited on the same day as received

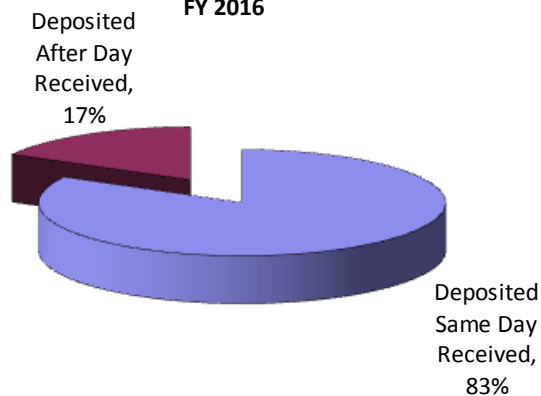
What Was Achieved:

83% of payments received by IDR were deposited on the same day as received

Data Sources:

Internal Services Division reports and information systems

**Receipts Deposited On the Same Day Received
FY 2016**



KEY RESULT

Core Function: Revenue Collections and Compliance

Goal: Provide efficient tax administration through technology and process improvement.

Description: The Compliance Services area of the Tax Management Division reviews returns covering 14 major taxes established by Iowa law. The compliance team determines unpaid tax liabilities and bills taxpayers for the correct amount of tax.

Why are we doing this: Audits and collection efforts encourage voluntary compliance with Iowa's tax system. Audits are both educational and informative in order to reduce the need for future audits of the same taxpayer.

What we are doing to achieve results: The Tax Management Division integrates internal and external data to enhance compliance and enforcement.

Results

Performance Measure:

Revenue collected per dollar spent on enforcement

Performance Target:

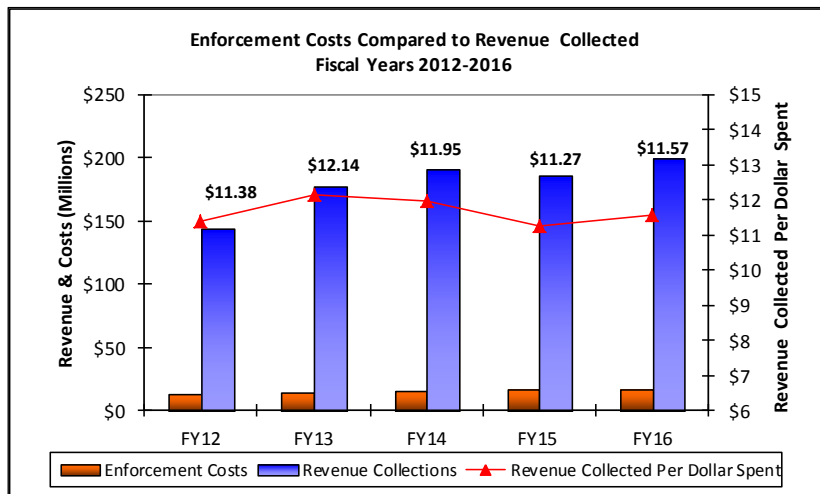
Collect at least \$9.00 for every dollar spent on enforcement

What Was Achieved:

IDR collected \$11.57 for every dollar spent on enforcement

Data Sources:

Compliance Services return on investment and cost benefits reports, and Business Objects queries of tax return data.



KEY RESULT

Core Function: Resource Management

Goal: Provide efficient tax administration through technology and process improvement.

Description: Increase utilization of electronically filed income tax programs each year.

Why we are doing this: IDR views electronic filing of tax returns as an effective way to improve efficiency, while also facilitating more accurate returns for customers. Where applicable, customers benefit from receiving a tax refund in less time than if they filed a paper return.

What we are doing to achieve results: For eligible taxpayers, IDR offers access to individual income tax return software with free filing. The various choices of individual income tax return software available for all taxpayers that can be accessed through the IDR website have been monitored to assure they are compatible with State tax forms and electronic filing systems. In addition, IDR promotes electronic filing to the general public and key customer groups, in cooperation with agencies and non-profit organizations throughout the state.

Results

Performance Measure:

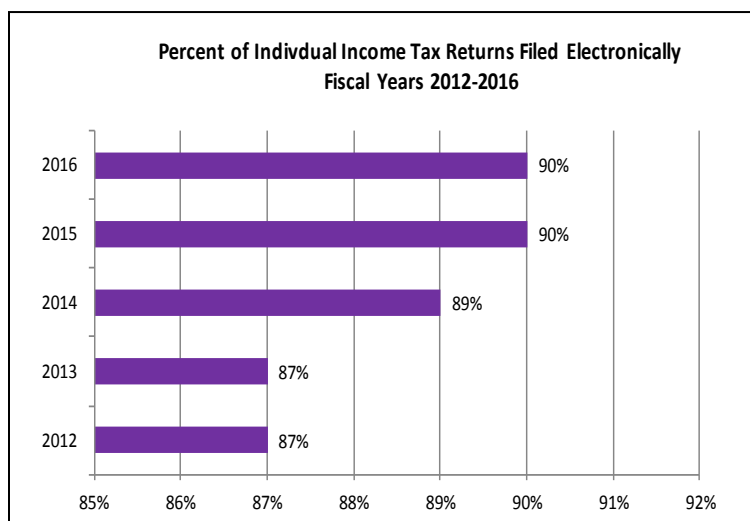
Percent of electronically filed individual income tax returns

Performance Target:

88% or more of individual income tax returns will be filed electronically

What Was Achieved:

90% of individual income tax returns were filed electronically



Data Sources:

Internal Services reports and information systems

KEY RESULT

Core Function: Resource Management

Goal: Provide excellent customer service.

Description: IDR receives and processes over 1.5 million individual income tax returns each year. Although some taxpayers must pay additional tax when filing their returns, a majority of taxpayers are entitled to refunds.

Why we are doing this: IDR recognizes that taxpayers entitled to refunds prefer receiving their payments in a timely manner.

What we are doing to achieve results: IDR has two key systems for processing individual income tax returns. One system is used to process returns filed on paper forms. The second system is for processing electronically filed returns. IDR monitors the processing efficiency and turnaround time for both systems. Although IDR continues to promote a quick refund turnaround time as a taxpayer benefit to electronically filing a return, IDR is aware that the filing of fraudulent tax returns has become an issue for the IRS and state revenue departments. Ongoing efforts to prevent and catch the filing of fraudulent returns may delay the issuing of some individual income tax refunds.

Results

Performance Measure:

Percent of electronically filed individual income tax refunds issued within 14 days

Performance Target:

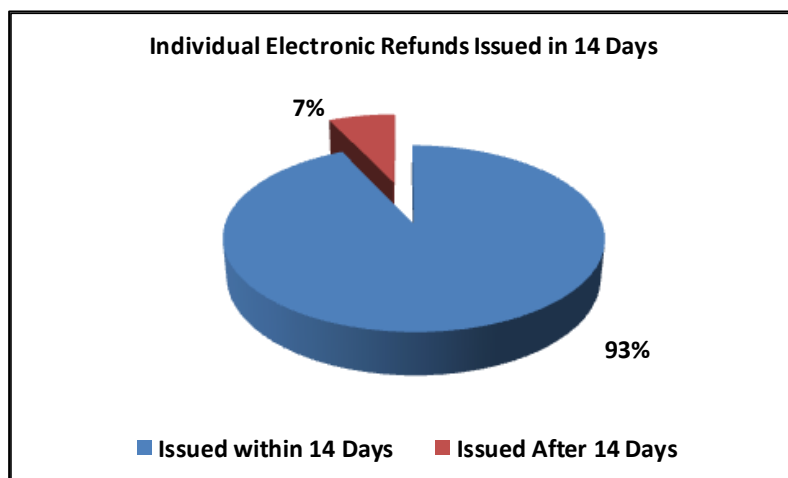
90% of electronic refunds will be issued within 14 days

What Was Achieved:

93% of electronic refunds were issued within 14 days

Data Sources:

Internal Services reports and information systems



**Agency Performance Plan Results
FY 2016**

Name of Agency: Iowa Department of Revenue

Agency Mission: The Iowa Department of Revenue will serve Iowans and support state government by collecting all taxes required by law but no more.

Core Function: Local Government Assistance

Property Tax Division:			
Equalization:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of required appraisals completed	100%	100%	
2. Percent of jurisdictions within statutory assessment level tolerance	100%	100%	
Agricultural	100% of jurisdictions within 95% to 105% of statutory assessment level	100%	
Residential	100% of jurisdictions within 95% to 105% of statutory assessment level	100%	
Commercial	100% of jurisdictions within 95% to 105% of statutory assessment level	100%	

**Agency Performance Plan Results
FY 2016**

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Core Function: Local Government Assistance (continued)

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of assessors meeting continuing education requirement	100% notification (214) by 8/31/2015 and 01/31/2016	100%	
Credits/Exemptions, Transfer Tax:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percentage of timely responses	Written policy letter communication with taxpayers and/or local government officials within 1 week (100%)	99%	Process improvements have been obtained through requiring local government officials to use the PropertyTax@iowa.gov e-mail to submit questions to the Department. Questions are disseminated to appropriate personnel and monitored and tracked through a single staff person. While some questions take additional time as a result of legal review the ability to answer and manage the incoming communications has improved as more staff are involved in providing answers.

**Agency Performance Plan Results
FY 2016**

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Core Function: Local Government Assistance (continued)

Central Assessments:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of utility and railroad assessment completed by the due date	(273) 100%	100%	
2. Percent of replacement tax assessments completed by the due date	(189) 100%	100%	100% of targets met.
Local Option Taxes:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of local option sales tax and SAVE timely distributed each year	100%	100%	

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Core Function: Local Government Assistance (continued)

Property Assessment Appeal Board:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Number of protests from Board of Review	350 protests in reassessment years and 50 protests in non-reassessments years	214	Exceeded numbers for non-reassessment year.
2. Processing time for appeal process	90% of decisions prior to properties' second delinquency date	77%	As of September 2016 all remaining appeals have recently been withdrawn or were continued at the request of the parties.

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FY 2016**

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Core Function: Resource Management

Internal Services Division:			
Human Resources:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Employee Training and Orientation	100% of new employees will take orientation class within six months of hire	100%	
	Provide Soft Skills training for 25% of employees	25%	
	Provide technical training for 70% of employees	100%	

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Core Function: Revenue Collections and Compliance

Tax Management Division:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of tax revenues received by electronic transfer	79%	79%	
2. Percent of individual income tax returns filed electronically	88%>	90%	
3. Percent of corporation income tax returns filed electronically (baseline Year)	60%	70%	
4. Percent of Partnership income tax returns filed electronically. (baseline Year)	60%	78%	
5. Percent of paper filed individual income tax refunds issued within 60 days of receipt	85%	95%	
6. Percent of electronic filed individual income tax refunds issued within 14 days of receipt	90%	93%	
7. Percent of billed accounts resolved within 180 days	70%	63%	
8. Ratio of costs to collections	10% or <	6.8%	
9. Total Revenue Collected Per Dollar Spent (Exam and Audit)	\$9.00	\$11.58	

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FY 2016**

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Core Function: Revenue Collections and Compliance (continued)

Processing Services:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of dollars deposited same day as receipt	85%	83%	
2. Percent of paper income tax returns imaged	100%	100%	
Collection Services:			
Accounts Receivables:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of net debt collected within 90 days	40%	22%	
2. Dollars of debt collected within 90 days	\$50,000,000	\$51,099,868	
Central Collections:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of net debt collected within 210 days	50%	36%	
2. Dollars of debt collected within 210 days	\$60,000,000	\$85,422,728	
3. Dollars recovered for clients	\$50,000,000	\$47,814,312	

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FY 2016**

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Core Function: Revenue Collections and Compliance (continued)

Advanced Collections:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of net debt collected within 365 days	60%	48%	
2. Dollars of debt collected within 365 days	\$75,000,000	\$112,912,742	
Compliance Services:			
Examination:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of revenue established collected	40%	38%	
2. Percentage of tax known due collected	95%	97%	
3. Percent of income tax returns requiring review worked within 60 days of going to review	70%	78%	
Audit Services:			
Instate Field Audit:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of revenue established collected	67%	28%	
Tax Gap Programs:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of revenue established collected	20%	119%	

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Core Function: Revenue Collections and Compliance (continued)

Tax Policy and Communications Division			
Tax Policy:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of contacts within 12 months of receipt of protest	100%	50%	
2. Percent of protests resolved informally	40%	99%	
Communications:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
3. Number of tweets and number of recipients	750 tweets and 50,000 recipients	805 tweets and 55,987 recipients	
4. Number of new tweet followers	600	847	
5. Number of Tax Education Videos Viewed (YouTube)	5,000	4,879	

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Core Function: Revenue Collections and Compliance (continued)

Communications:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
6. Number of Facebook likes	300	507	
7. Number of Facebook posts viewed	9,000	15,451	
Taxpayer Services:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
6. Percent taxpayer service specialist available	75%>	78%	
7. Overall customer satisfaction with Taxpayer Services	Average phone post call survey score of 3.5 on a scale of 1 to 5	4.2	
8. Percent of Taxpayer Services emails answered in one business day	95%	89%	

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Core Function: Research, Analysis, and Information Management

Research and Analysis Division:

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Statistical Reports completed timely	Individual Income Tax Annual, Sales Tax Quarterly and Annual. 100% timely	100%	Timely release of individual income tax statistical reports allowed the Department of Education and school districts to prepare budgets and apply for federal grant money; quarterly sales tax reports provide taxpayers information about economic activity by city and sector.
2. Receipts and Refunds Report Completed Timely	100% of Monthly reports by end of 2nd Business Day of Next month	100%	
3. REC briefing papers	Complete Reports in time for DOM-LSA briefing session	100%	

**Agency Performance Plan Results
FY 2016**

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Core Function: Research, Analysis, and Information Management (continued)

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
4. Iowa Leading Indicators Index	Reports completed accurately with data available (100%)	100%	
5. State Fiscal Impact Estimate	According to deadlines set by the Governor and Legislature (75%)	82%	With 65 formal fiscal estimate requests and an additional 20 informal requests during the 2016 session, staff efforts were directed to the most pressing issues, with an aim to provide support to the staff of the Legislature and Governor as needed.
6. Local Option Estimates	Percent of jurisdictions' estimated fiscal year payments within 5% of target distributions (95% of actual collections) (90%)	95%	

**Agency Performance Plan Results
FY 2016**

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Core Function: Research, Analysis, and Information Management (continued)

Performance Measure	Performance Target		Performance Comments & Analysis
7. Tax Credit Evaluation Studies	Complete written studies by the start of the 2016 Legislative session	5 out of 7 were completed	Five evaluation studies were posted to the IDR website in early January covering the New Jobs Tax Credit, the Charitable Conservation Contribution Tax Credit, the Beginning Farmer Tax Credit program, the Minimum Tax Credit, and the Claim of Right Tax Credit. Two evaluation studies that reviewed the administrative Fuel Tax Credit and the S Corporation Apportionment Tax Credit were completed in early 2016.
8. Tax Credits Tracking and Analysis Program	Complete 2013 Tax Credit Claims Report by June 1st	Not completed	Resources were redirected to the development of the Tax Credit Award, Claim & Transfer Administration System (CACTAS), which will speed release of future reports, but delayed the completion of the claims report.